



Law Society
of Scotland

Law Society of Scotland

Covid-19

Economic Impact on the Private Practice Sector of
the Scottish Solicitor Profession - Analysis of
Research

May 2020



Introduction

The Law Society of Scotland is the professional body for over 12,000 Scottish solicitors. With our overarching objective of leading legal excellence, we strive to excel and to be a world-class professional body, understanding and serving the needs of our members and the public. We set and uphold standards to ensure the provision of excellent legal services and ensure the public can have confidence in Scotland's solicitor profession.

We have a statutory duty to work in the public interest, a duty which we are strongly committed to achieving through our work to promote a strong, varied and effective solicitor profession working in the interests of the public and protecting and promoting the rule of law. We seek to influence the creation of a fairer and more just society through our active engagement with the Scottish and United Kingdom Governments, Parliaments, wider stakeholders and our membership.

The coronavirus pandemic has had an extraordinary effect on each and every one of us. We have all had to very quickly adapt our daily lives in order to minimise the spread of infection and save lives. Emergency legislation passed at both Westminster and the Scottish Parliament and regulations issued by the Scottish Government have imposed stringent conditions on us which often run counter to the normal freedoms we take for granted.

As the professional body for Scottish solicitors we have been actively representing the voice of the profession since the start of this outbreak. We have sought clarity on the options made available through government business support funding and joined together with other leading business sectors in Scotland to make the case for additional targeted support for those in the profession who are not benefiting from any of the business packages put in place. We have also worked to influence legislation and policies which directly impact on our members, trying to ensure that legal business can continue in a way which is in keeping with public health guidance and allows Scottish solicitors to work and generate income.

To effectively represent the real impact the current situation is having on our members it is vital that we have an evidence-based understanding. This report sets out the results of the first stage of that evidence gathering.

This research shows that the vast majority of the private practice sector of the Scottish solicitor profession has, like most sectors of the business community, been adversely affected by the economic downturn. The only business area not to see a significant downturn has been employment law - a sign of how vital the rights of workers and employers are during this time.

This information has and will continue to be used to inform discussions with key stakeholders such as Scottish Government, the Scottish Legal Aid Board (SLAB) and the Scottish Legal Complaints Commission (SLCC). By providing evidence of the scale of the impact on the legal profession we can continue to advocate on behalf of our members and consider what further steps could help to minimise this impact.

The researchers would like to thank all of the firms contacted who took the time to respond to our questions.

Methodology

A telephone survey was carried out by four senior staff of the Society. Cashroom managers at 158 private practice firms were contacted. The sample were selected to provide a representative profile of private practice by rurality and size of firm.

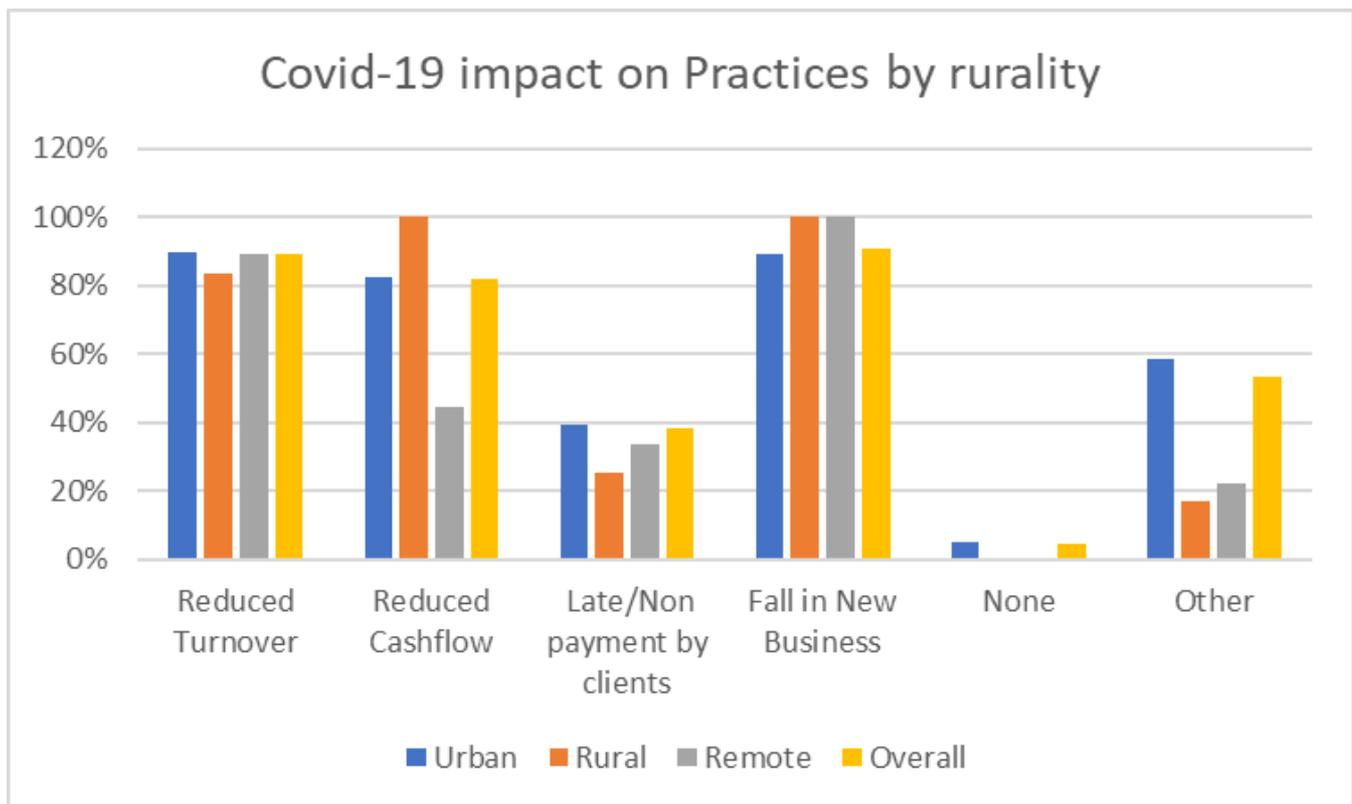
Calls were made between 20 April 2020 and 7 May 2020. Although this is a relatively short time frame, one indicator that did appear to shift from early calls to later calls was the percentage of furloughs which increased slightly with the passage of the 2½ weeks.

The full questionnaire used can be found in Appendix 1

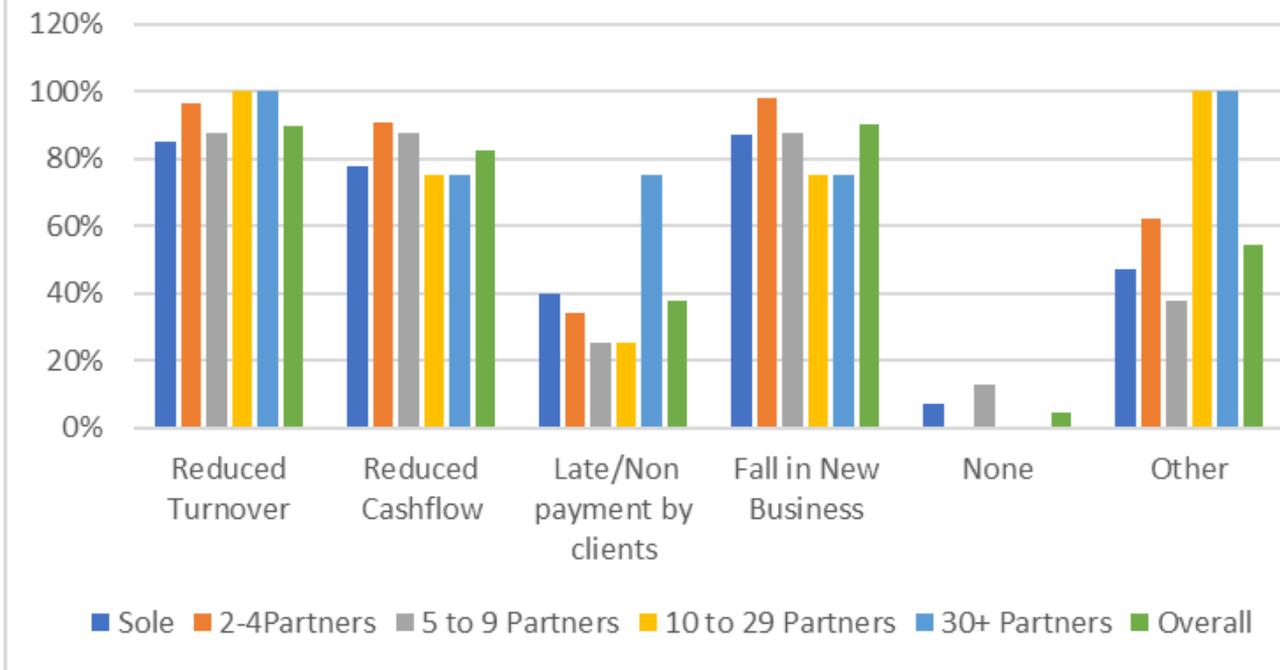
Preliminary results

Question 1 asked: Which of the following has or have impacted on your firm’s business as a result of the coronavirus pandemic?

Choosing multiple options was permitted



Covid-19 impact on Practices by size

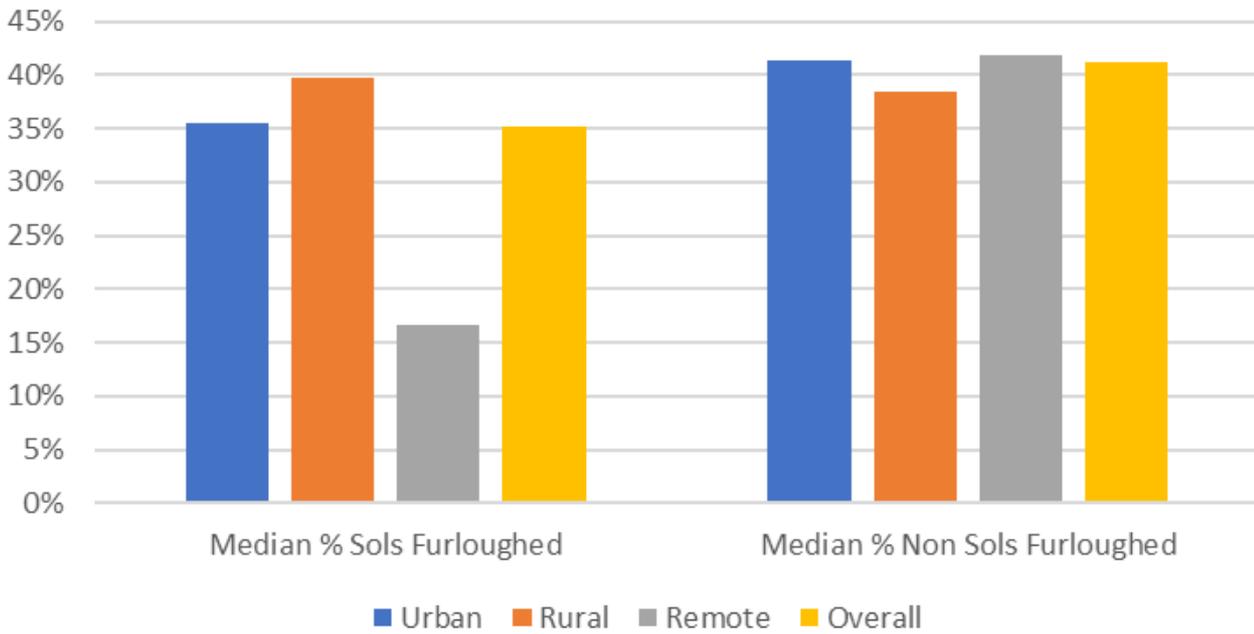


There did not appear to be a marked difference by location in respect of **reduced turnover** with over 80% of firms overall reporting this. In terms of **reduced cashflow**, this had perhaps not impacted as much on remote firms as it had on urban and rural firms. There had been limited impact by rurality on all firms in respect of **late or non-payment** by clients. Many respondents cited both payments made in advance of work being carried out and clients keen to pay off creditors during the crisis as reasons for there being less impact. A **fall in new business** was a much-cited impact regardless of location with an impact on 90% of overall respondents. In terms of **other impacts**, there was a higher response from urban firms than from others. They cited both court closures and the closure of the Land Register as the main impacts on business.

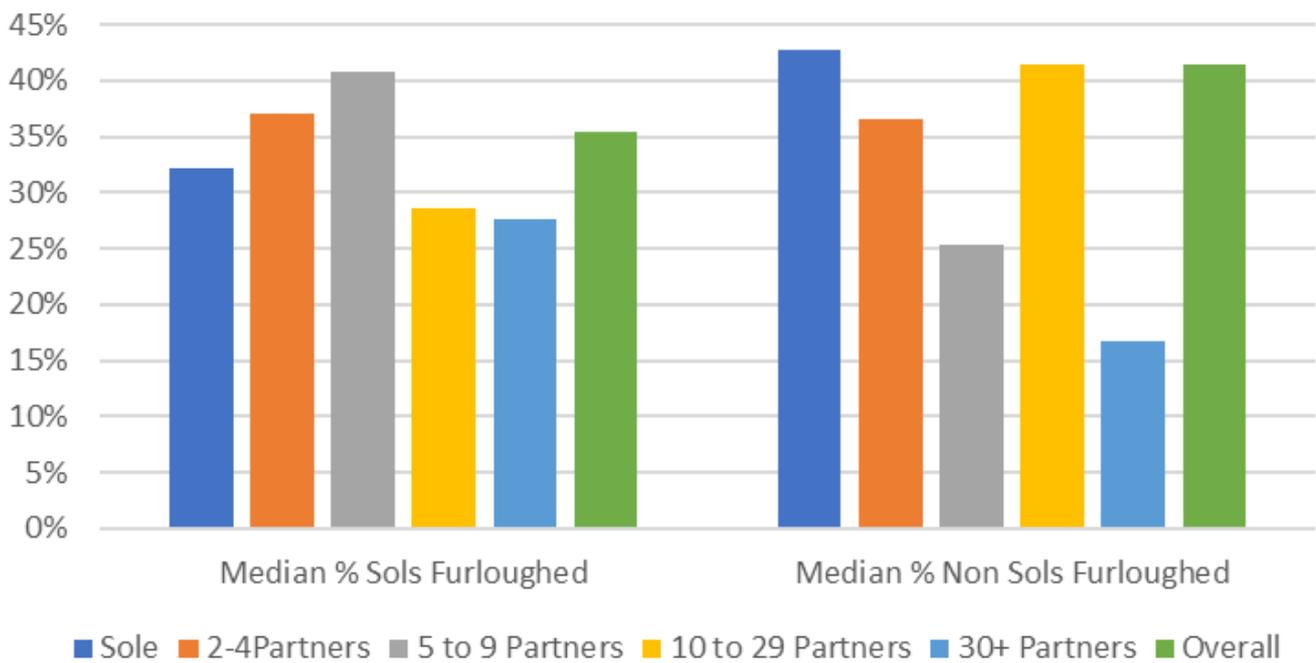
In terms of firm size, again there was no marked difference in respect of reduced turnover, reduced cashflow and fall in new business. It should be noted, however, that while still having much less of an impact overall, late or non-payment of client fees and outlays had much more of an impact on those firms of over 30 partners surveyed.

Question 2 asked: Approximately what percentage of (a) solicitor staff and (b) non-solicitor staff have you furloughed under the UK Government’s job retention scheme?

Covid-19 Practices Furloughing staff



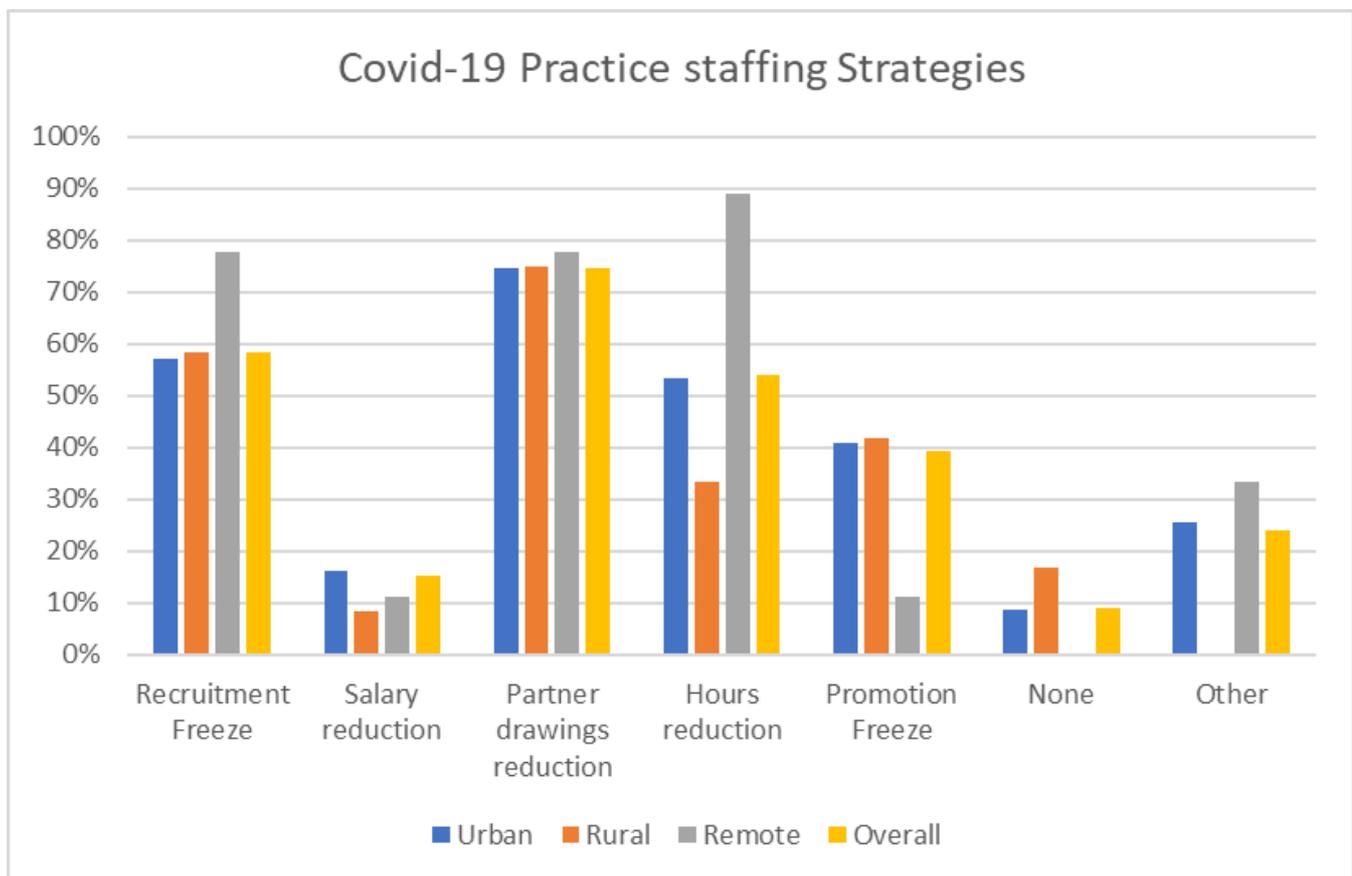
Covid-19 Practices Furloughing staff



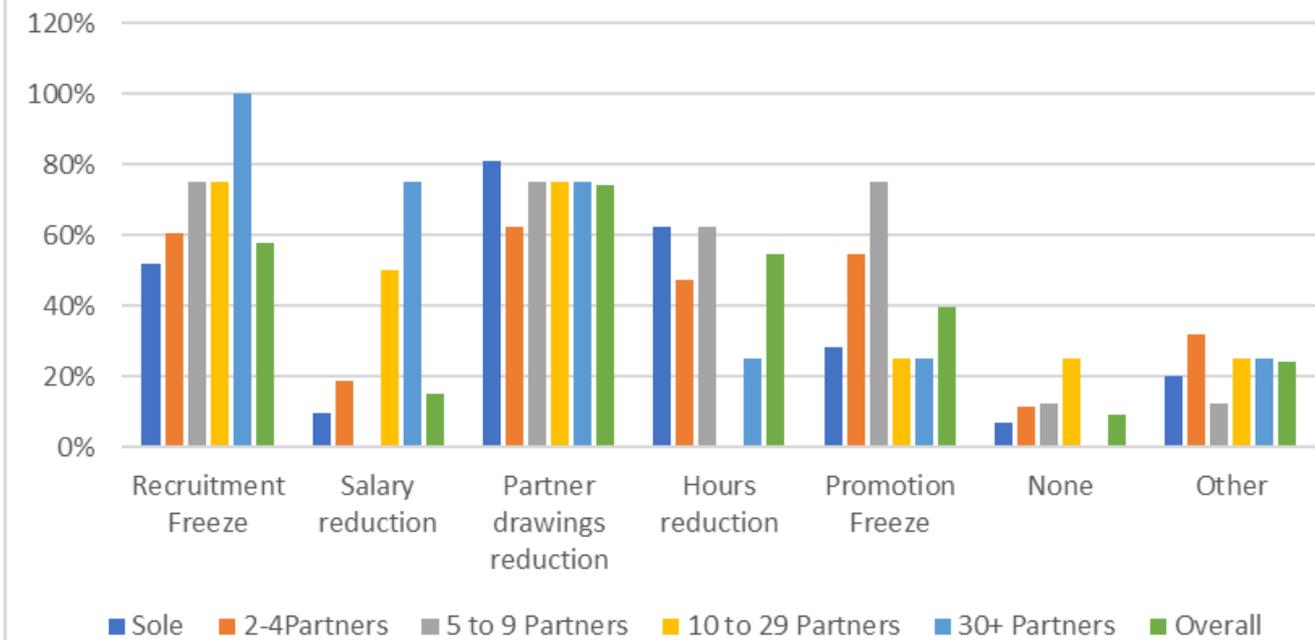
In terms of location, the median percentage of furloughed solicitors fell by about one half to 16% in respect of remote firms compared with 31% in respect of urban firms and 36% in respect of rural firms. The explanation is that remote firms would tend to be smaller, either lying within the one partner or 2-4 partner cohorts with fewer solicitor staff eligible for the UK Government furlough scheme. The median percentages of furloughed non solicitor staff by location were fairly constant at around 40%.

By firm size however, the number of furloughed solicitor staff saw a rise from 32% in respect of sole partners, 36% in respect of 2-4 partners to a peak of just over 40% in respect of 5-9 partner firms. Interestingly, the bigger firms of 10-29 partners and over 30 partners had 28% and 27% of furloughed staff respectively. These slight variances may be a result of smaller firms having fewer solicitors eligible and larger firms carrying out the type of work where there has been slightly less of an impact on business. Also, in terms of non-solicitor staff furloughed by firm size, some interesting variances in that the middle cohort of 5-9 partner firms had 25% and 30 plus partnerships had a median percentage of 16% compared with higher median percentages of 42% for sole partners, 36% for 2-4 partners and 41% for 10-29 partners. One reason cited by those respondents from smaller firms who had furloughed non-solicitor staff was that their solicitor staff and/or partners could absorb support work when there is a downturn in business that they would normally be carrying out.

Question 3 asked: Which of the following has your firm introduced in response to the current crisis?



Covid-19 Practices Staffing Strategies

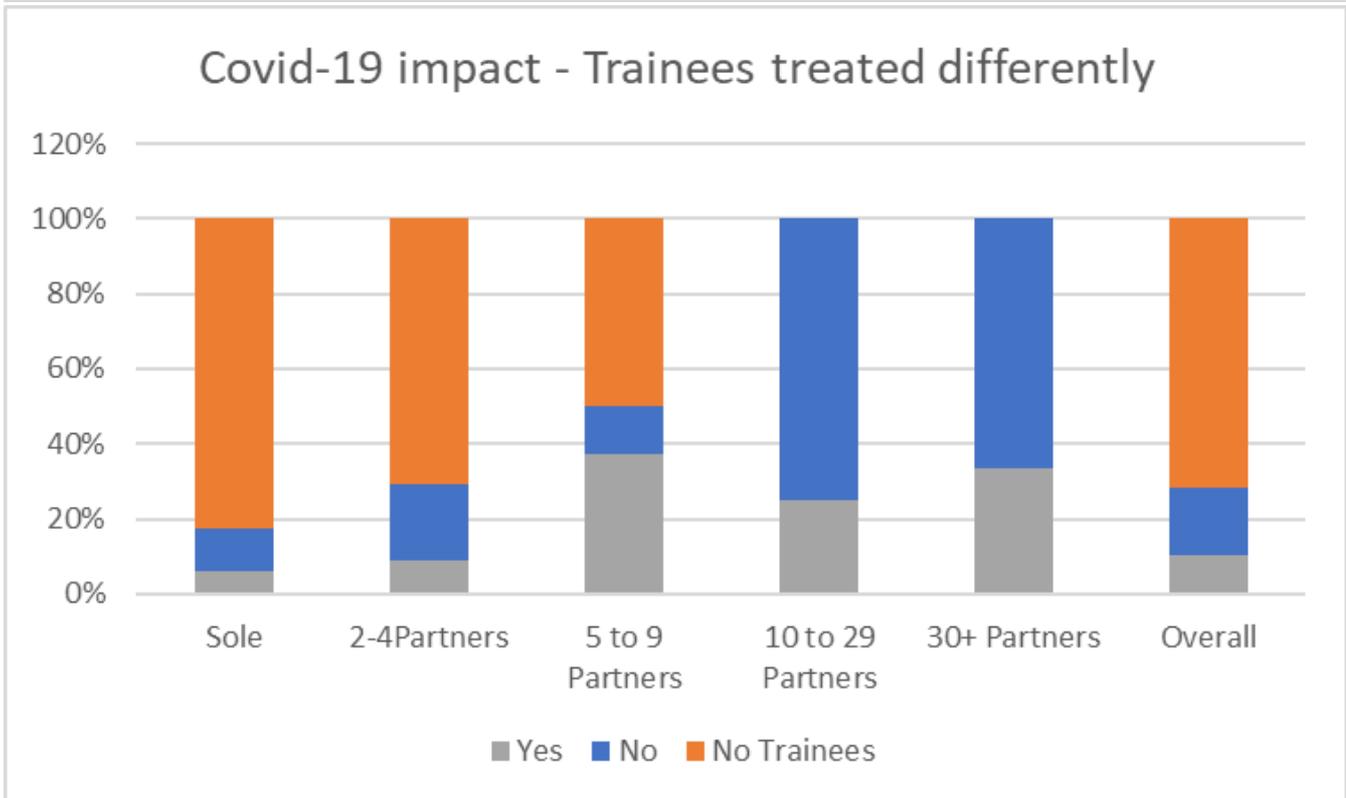
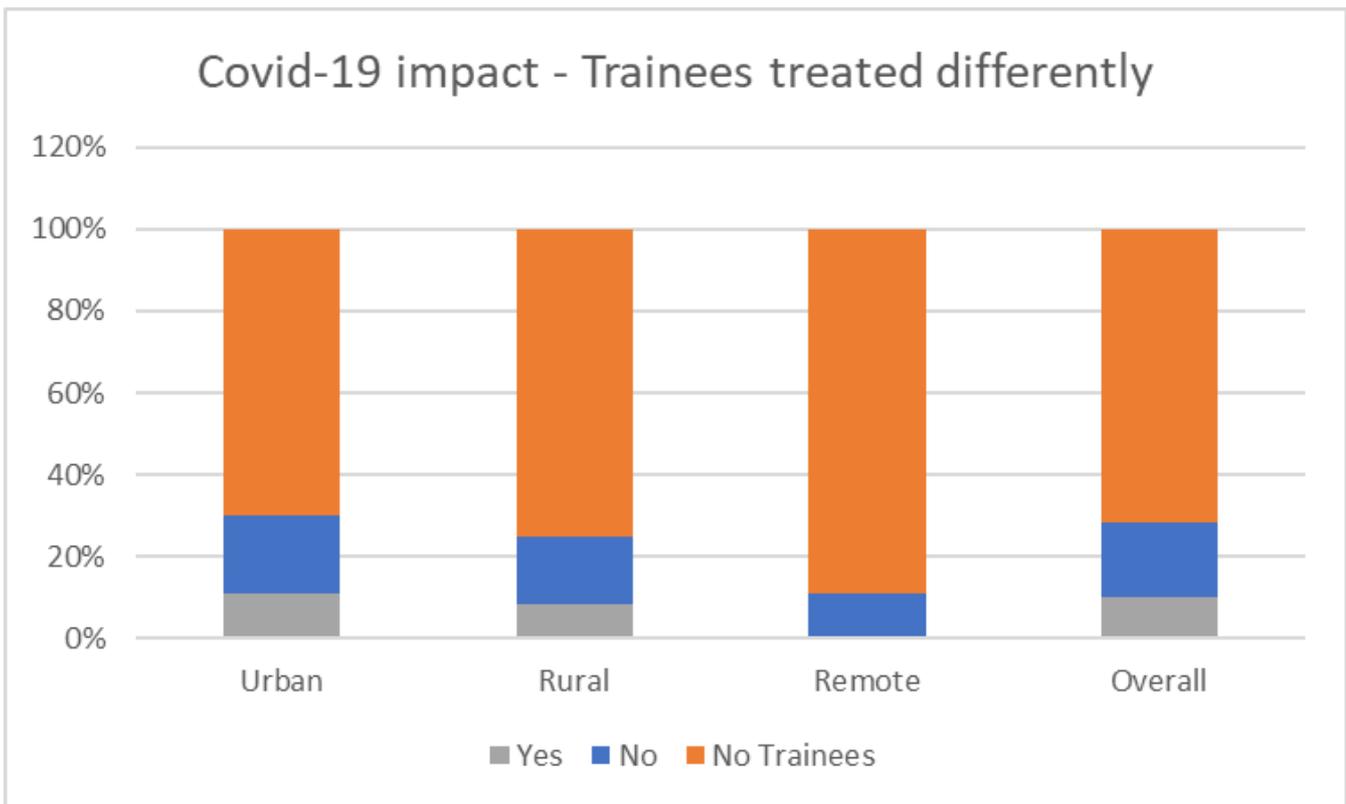


Staffing strategies were relatively constant by location, although remote firms tended to have been more likely to have introduced both a recruitment freeze and were working fewer hours and less likely to have introduced a promotion freeze. Very few firms had introduced a salary reduction, making the choice of reducing partner drawings at the expense of ensuring non-furloughed staff were still being paid their full wage.

The position on staffing strategies by firm size did not appear to differ greatly, although 30 plus partner firms were more likely to have introduced a recruitment freeze and a salary reduction. Both 10-29 partner firms and 30 plus partner firms were less likely to have introduced an hours reduction.

In terms of other strategies, many of those who responded cited home or remote working. One respondent cited the challenges around visiting clients in hospital. Another respondent advised that relying on parents for financial support was now essential.

Question 4 asked: Have you dealt with trainee solicitors differently?

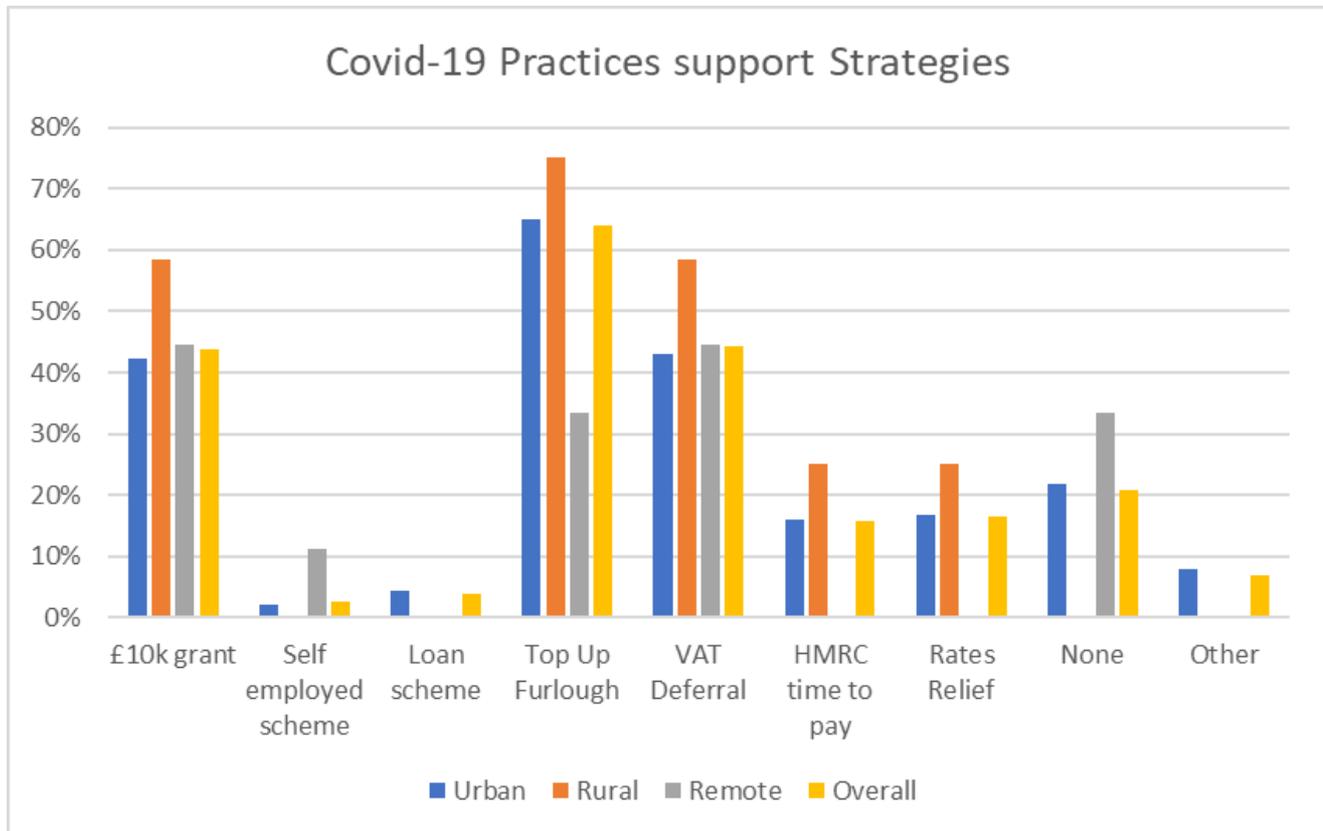


By location, there was little difference in responses on the question as to whether trainees had been dealt with differently. The majority of respondents did not employ trainees and this question accordingly did not apply.

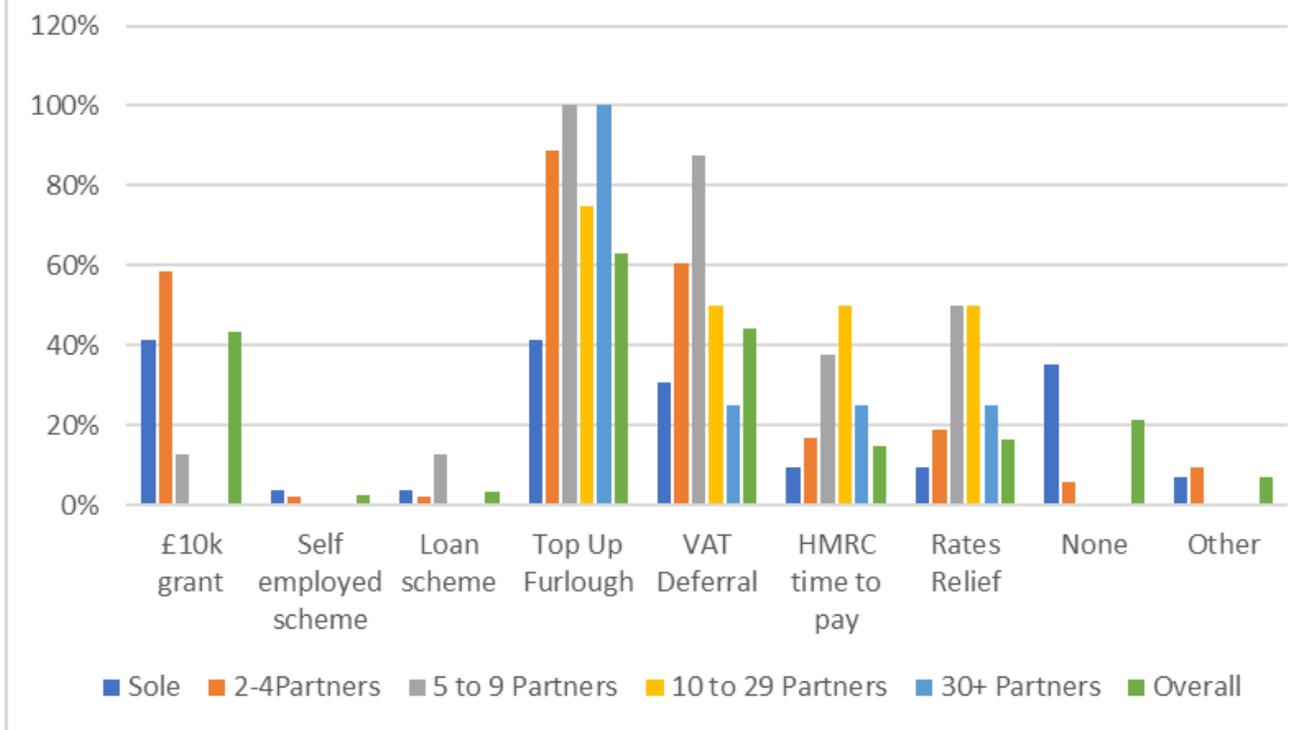
There was much more of a difference in response to this question by firm size although the overall picture either by location or firm size is broadly similar where the majority of respondents don't employ trainees.

Those that do were roughly twice as likely not to treat trainees differently than those who did. The larger firms were, perhaps not surprisingly, more likely to employ trainees. The cohort of 5-9 partners is the only cohort which was much more likely to have treated trainees differently than not. The reason that tended to be given when prompted for how trainees had been treated differently was that some or all trainees had been furloughed.

Question 5 asked: Which UK Government and Scottish Government assistance schemes has your firm already applied for?



Covid-19 Practices Support Strategies

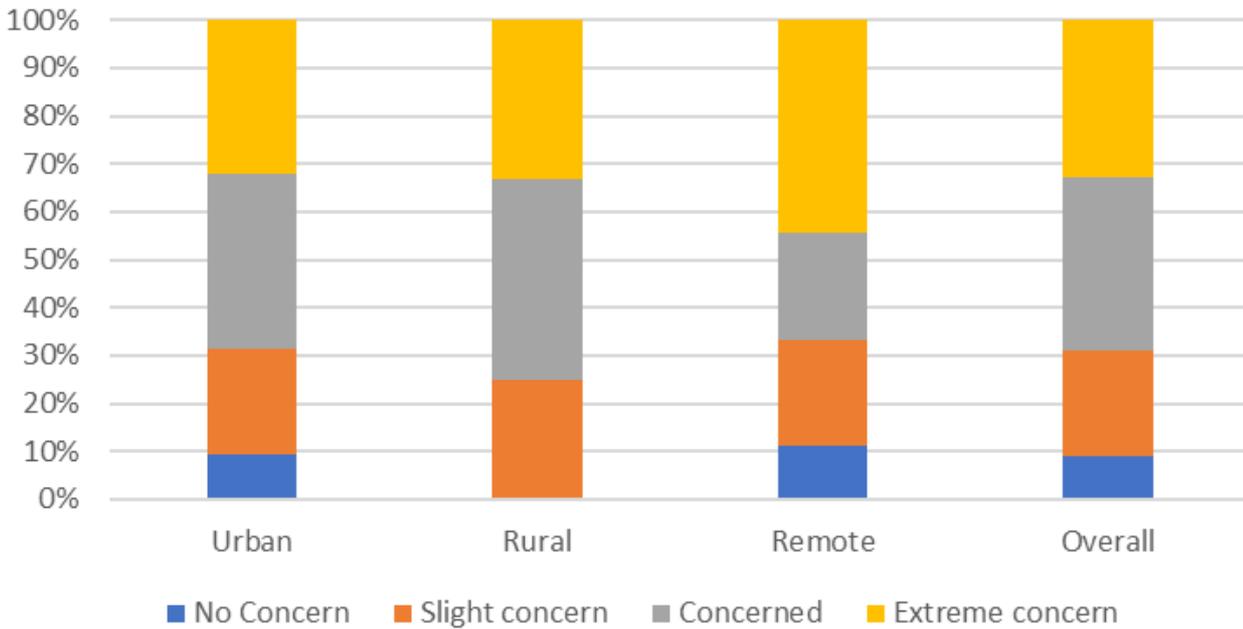


The responses to this question by location drew out that rural firms were more likely to have taken advantage of the £10,000 grant administered by local authorities and by the furlough scheme and deferral of VAT. Those respondents who weren't taking advantage of VAT deferral stated that it was simply a deferral rather than any form of abatement or reduction and it was better to meet this liability sooner rather than later. Similar response was made in relation to the very small take up in respect of the Temporary Coronavirus Business Loan Scheme in that it was a loan which would of course require to be repaid. Once more, the relatively low take up of furlough in respect of remote firms can perhaps be attributed to those firms being mainly smaller firms and having fewer if any staff eligible for furlough.

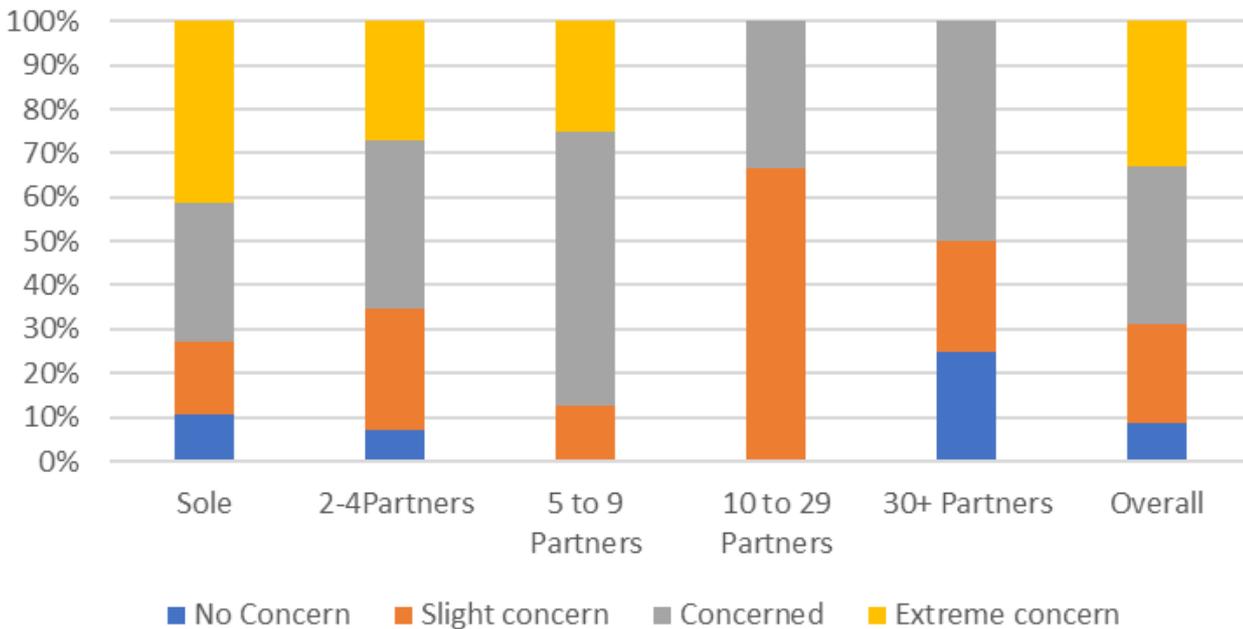
In considering the responses by firm size, the differences in the various rates of take up can be attributed more to the question of eligibility which very much depends on business model. In particular, the £10,000 grant is only available for smaller business. A number of sole partner firms would, however, not be eligible due to not having business premises. It is worth noting that the most applied for assistance scheme by firm size was the furlough scheme. With the exception of sole partners, who may of course have no one eligible for furlough, the vast majority of all other firms had applied for furlough. In the case of both 5-9 partner firms and 30 plus partner firms, all those surveyed had applied for furlough.

Question 6 asked: How would you rate the potential impact of the SLCC levy payable on 30 June 2020 on the business of your firm?

Covid-19 Practices concern re SLCC Levy



Covid-19 Practices concern re SLCC Levy



In terms of location, there was little difference to the various levels of concern outlined with approximately 70% of respondents stating that their firm was either concerned or extremely concerned at the impact of the SLCC levy.

30% of respondents stated that their firm was either not at all concerned or slightly concerned. A number of those respondents took the view that the SLCC levy was another financial imposition that had to be paid together with many others, both in terms of regulatory compliance and in terms of the other costs of

running a business such as rent, rates, utilities etc. In comparison to these other business costs the levy could be considered a relatively small burden.

70% expressed that their firm was either concerned or extremely concerned. A large number of those who expressed these levels of concern would often take issue with the SLCC's apparent refusal to acknowledge the economic impact of coronavirus on the solicitor and accordingly consider any reduction in this year's levy. Others who expressed either concern or extreme concern also mentioned that their particular area of work, for example criminal defence, didn't tend to generate a great deal of complaints and appeared to take issue with the levy on principle. Others, particularly those from one partner firms, expressed extreme concern as the imposition of the levy would cause financial difficulty.

Additional analysis of COVID-19 financial impact survey

1. Projected furlough numbers

In considering the information provided by the telephone survey of 158 firms, the Society was able to provide some additional analysis by extrapolating the data obtained in relation to the percentage solicitor staff and non-solicitor staff furloughed at question 2.

The following projected furlough numbers for the whole of Scottish solicitors in private practice were obtained.

Scottish solicitors in private practice – 1,627 furloughed

- Overall, 35% of solicitor staff have been furloughed according to the analysis
- Of the 8,000 solicitors in Scottish private practice 4,650 solicitor are employees
- 35% furlough rate implies around 1,627 have been furloughed

Non solicitors in private practice – 4,720 furloughed

- Overall, 41% of non-solicitor staff have been furloughed according to the analysis
- 604 firms (53% of the total) have reported 6,154 non solicitor staff numbers as part of their accounts certificate – this grosses up to around 11,500 across 1,130 practices
- 41% furlough rate implies around 4,720 have been furloughed

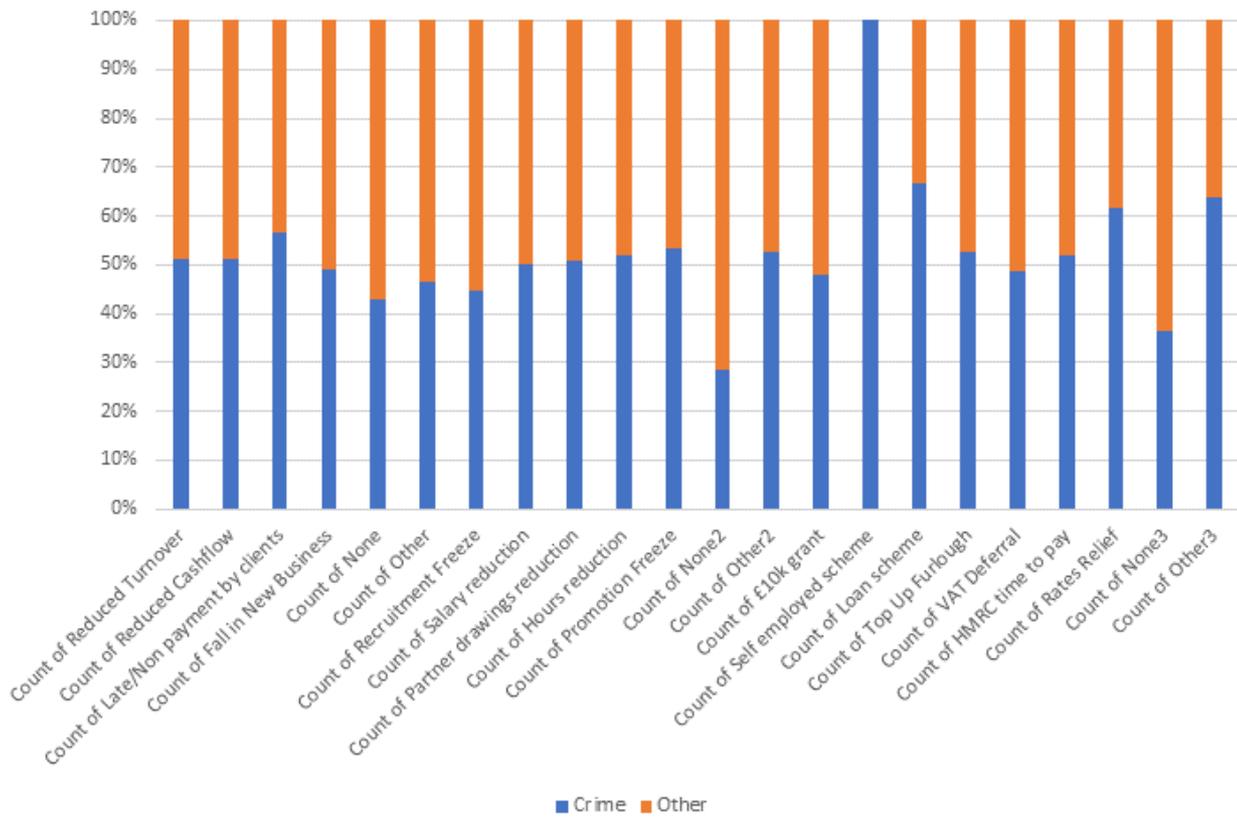
2. Additional analysis by firm work

The Society was also able to provide some additional analysis according to the type of work undertaken by the respondent.

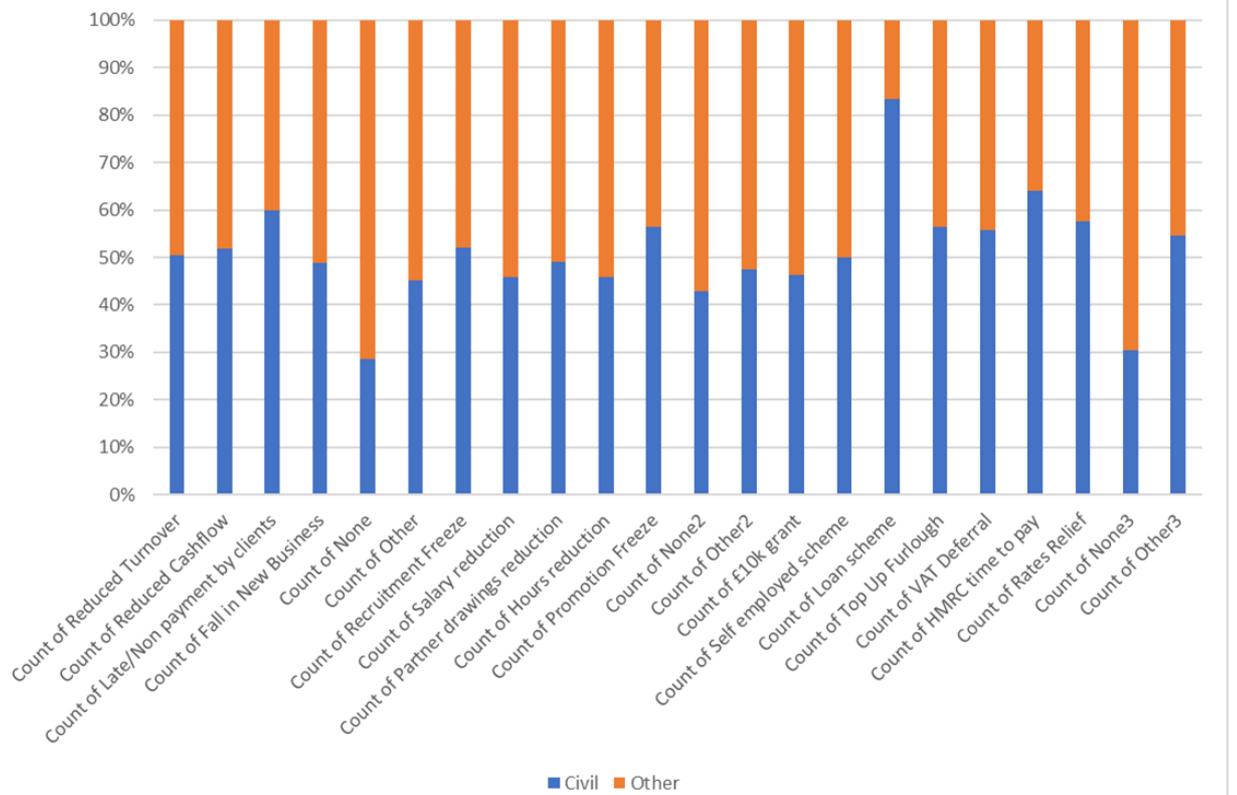
In terms of the following charts which consider the answers provided to questions 1 (impact on practice), question 3 (staffing strategies) and question 5 (support strategies) there were relatively small differences for those firms involved in criminal work and civil work (including legal aid) and those involved in conveyancing. Percentages of roughly between 40% and 60% respondents reported an impact on their firm. Implementation of staffing and support strategies are also shown for criminal, civil and conveyancing against other types of work. One anomaly here is that there had been a 100% response on the criminal chart and an 82% response on the civil chart to having applied for the self-employed loan scheme. This can be explained by one partner firms being likely to undertake either civil or criminal work, or both.

The chart on employment law, however, shows significantly lower percentages of between 20% and 40% in respect of impact on business and implementation of staffing and support strategies at questions 1, 3 and 5. This would tend to suggest that firms involved in employment law are performing better during the crisis than those involved in criminal, civil and conveyancing.

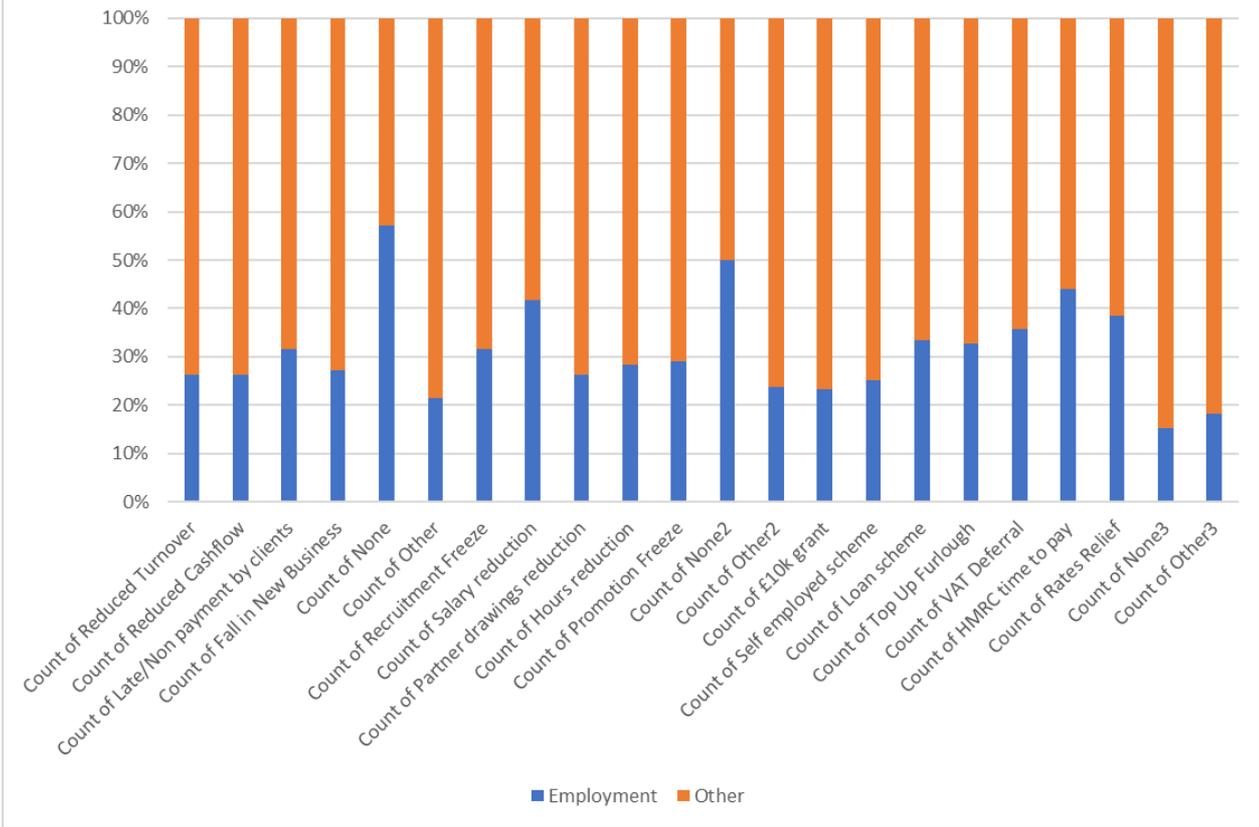
COVID-19 Practices doing Criminal Courtwork/others



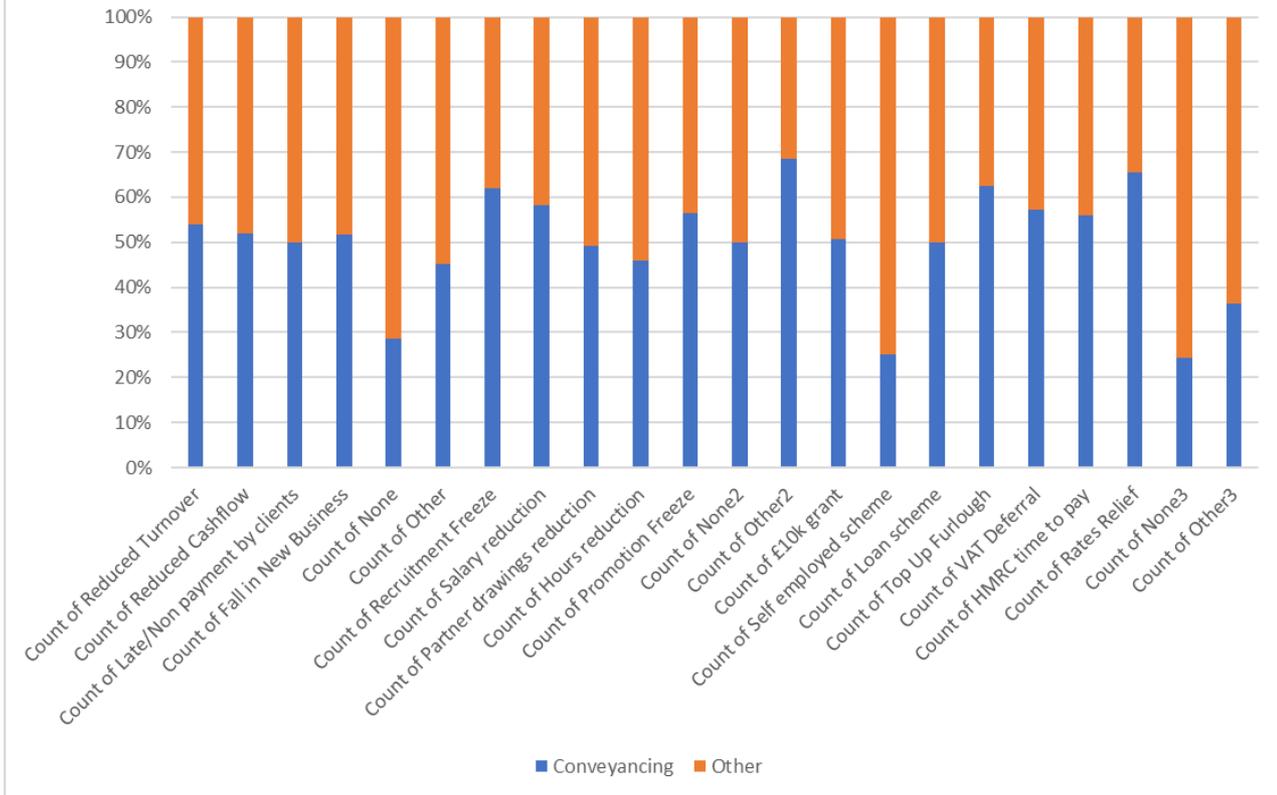
COVID-19 Practices doing Civil Work/others



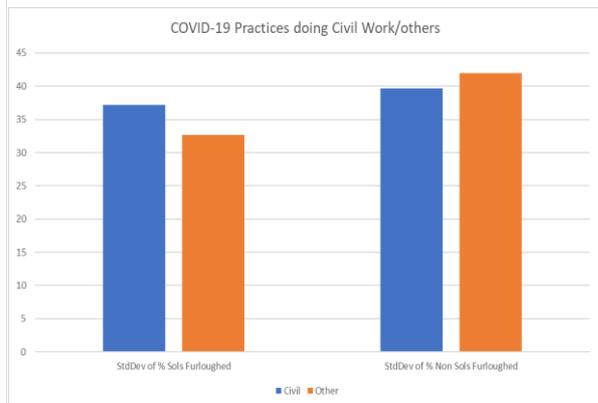
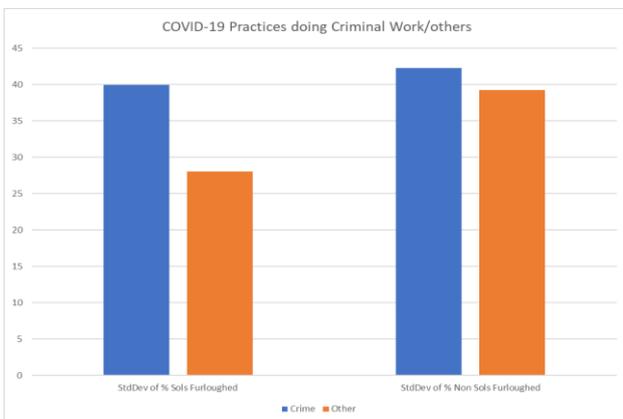
COVID-19 Practices doing Employment Work/others

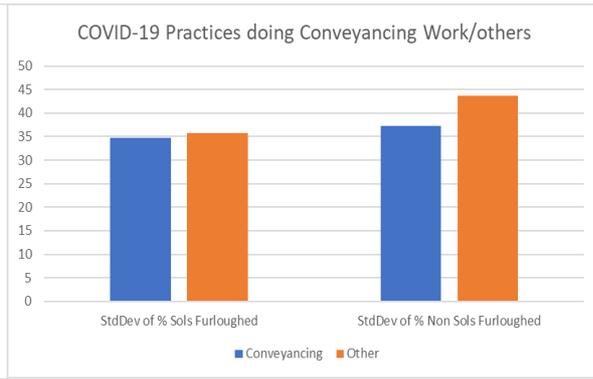
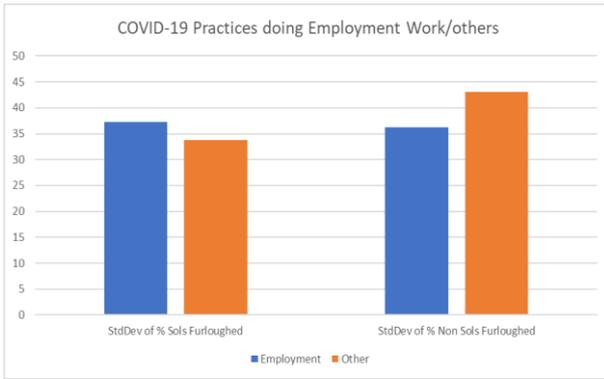


COVID-19 Practices doing Conveyancing Work/others



Finally, some additional analysis at question 2 on percentages of both solicitor staff and non-solicitor staff furloughed by area of work against other areas of work is shown in the following charts. Overall, while firms doing criminal, civil and conveyancing against other types of work have furloughed slightly more non-solicitor staff than solicitor staff and firms doing employment having furloughed slightly fewer solicitor staff than non-solicitor staff, there does not appear to be any significant differences between solicitor and non-solicitor staff furloughed according to firm work. These figures all sit at roughly between 35% and 40%.





Appendix 1 Economic Downturn Survey

Standard Introduction

“Good morning/afternoon/evening. My name is....calling from the Law Society of Scotland. We would like to ask you some questions on the economic impact that the coronavirus pandemic has had on your business. In particular, we would like to consider this information in negotiations with the Scottish Government and the SLCC around the annual levy paid to the Commission. This survey should take no longer than ten minutes of your time.

If you are happy to provide a response on behalf of, (name of firm) I'll proceed to questions

Firm iMIS ID	
Firm Name	
Name of contact from firm	

1	Which of the following has or have impacted on your firm's business as a result of the coronavirus pandemic	Insert X
(i)	Reduction in turnover	
(ii)	Decreased cash flow	
(iii)	Late or non-payment of fees/ outlays by client	
(iv)	Fall in introduction of new business	
(v)	None of the above	
(vi)	Other- please specify	

2	Approximately what percentage of (a) solicitor staff and (b) non-solicitor staff have you furloughed under the UK Government's job retention scheme?	
(a)	Solicitor staff	%
(b)	Non-solicitor staff	%

3	Which of the following has your firm introduced in response to the current crisis?	Insert X
(i)	A recruitment freeze	
(ii)	A staff salary reduction	
(iii)	A partner profit reduction	
(iv)	Hours reduction	
(v)	Promotion freeze	
(vi)	None	
(vii)	Other-please specify	

4	Have you dealt with trainee solicitors differently?	Insert X
(i)	Yes Prompt, in what way?	
(ii)	No	
(iii)	Don't employ trainees	

5	Which UK Government and Scottish Government assistance schemes has your firm already applied for?	Insert X				
(i)	One off Grant of £10,000 administered by local authorities for small businesses					
(ii)	Self- employed income support scheme					
(iii)	Temporary Coronavirus Business Interruption Loan Scheme					
(iv)	Coronavirus Job Retention Scheme Job (furlough) If yes, are you topping up wages (insert X): <div style="text-align: center;"> <table border="1" data-bbox="571 734 871 808"> <tr> <td data-bbox="571 734 722 808">Yes</td> <td data-bbox="722 734 871 808"></td> </tr> </table> <table border="1" data-bbox="571 824 871 902"> <tr> <td data-bbox="571 824 722 902">No</td> <td data-bbox="722 824 871 902"></td> </tr> </table> </div>	Yes		No		
Yes						
No						
(v)	VAT deferral					
(vi)	HMRC's time to pay					
(vii)	1.6% rates relief					
(viii)	None					
(ix)	Other-please specify					

6	How would you rate the potential impact of the SLCC levy payable on 30th June 2020 on the business of your firm?	Insert X
(i)	Not at all concerned	
(ii)	Slightly concerned	
(iii)	Concerned	
(iv)	Extremely concerned	

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